



K. Chad Burgess
Director & Deputy General Counsel

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November 30, 2018

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29211

**RE: Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans
Docket No. 2017-370-E**

Dear Ms. Boyd:

I am writing on behalf of South Carolina Electric & Gas Company and Dominion Energy, Inc. (together, "Joint Applicants") to inform the Public Service Commission of South Carolina ("Commission") that the Joint Applicants and the South Carolina Solar Business Alliance ("SCSBA") have entered into a Settlement Agreement in the above-referenced matter.

Counsel for the SCSBA has authorized me to inform the Commission that the SCSBA supports the approval of the business combination between SCANA Corporation and Dominion Energy, Inc. and also supports Commission approval of any one of the three Customer Benefits Plans, which are commonly referred to as Plan A, Plan B, and Plan B-L.

Enclosed you will find a copy of the Settlement Agreement between the Joint Applicants and SCSBA. We respectfully request that the Commission approve the Settlement Agreement and if the Commission approves the request of the Joint Applicants in the above-referenced docket, then we also request that the terms of this Settlement Agreement be incorporated into the Commission's final order as a merger condition.

(Continued ...)

The Honorable Jocelyn G. Boyd, Esquire
November 30, 2018
Page 2

By copy of this letter, we are providing the other parties of record with a copy of the Settlement Agreement.

If you have any questions or concerns, please do not hesitate to contact us.

Very truly yours,



K. Chad Burgess

KCB/kms
Enclosure

cc: All parties of record
(via electronic mail only)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2017-370-E
November 30, 2018

IN RE:

| | | |
|--|---|-----------------------------|
| Joint Application and Petition of South Carolina |) | |
| Electric & Gas Company and Dominion Energy, |) | |
| Incorporated for Review and Approval of a |) | SETTLEMENT AGREEMENT |
| Proposed Business Combination between SCANA |) | |
| Corporation and Dominion Energy, Incorporated, |) | |
| as May Be Required, and for a Prudency |) | |
| Determination Regarding the Abandonment of the |) | |
| V.C. Summer Units 2 & 3 Project and Associated |) | |
| Customer Benefits and Cost Recovery Plans |) | |

This Settlement Agreement is made by and between the Dominion Energy, Inc. ("Dominion Energy"), South Carolina Electric & Gas Company ("SCE&G"), and South Carolina Solar Business Alliance ("SCSBA") (collectively referred to as the "Parties" or sometimes individually as "Party");

WHEREAS, on January 12, 2018, Dominion Energy and SCE&G (together, "Joint Applicants") filed with the Public Service Commission of South Carolina ("Commission") in the above-referenced docket a Joint Application and Petition for review and approval of a proposed business combination between SCANA Corporation and Dominion Energy, as may be required, and for a prudency determination regarding the abandonment of the V.C. Summer Units 2 & 3 Project and associated merger benefits and cost recovery plans;

WHEREAS, for purposes of hearing, the Commission consolidated the above-referenced docket with Docket Nos. 2017-207-E and 2017-305-E ("Consolidated Dockets");

C.B.

WHEREAS, by Order No. 2018-293, dated April 19, 2018, the Commission granted SCSBA intervenor status in Docket No. 2017-370-E;

WHEREFORE, the Parties have engaged in discussions and in the spirit of compromise;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms and conditions:

1. Upon closing of the merger between SCANA Corporation and Dominion Energy and after the filing of the IRP in 2019, SCE&G and Dominion Energy shall comply with the following conditions related to SCE&G's Integrated Resource Plan ("IRP") process, which shall remain in effect without modification through 2023, after which SCE&G may petition the Commission to eliminate or modify one or more of them:

- A. During the development of the IRP, intervenors in the previous year's IRP can request (via the Office of Regulatory Staff ("ORS")) that the SCE&G evaluate a limited number of alternative scenarios for modeling during the IRP development. For purposes of this condition, the limited number of alternative scenarios required shall not exceed five and shall be agreed upon by SCE&G in consultation with ORS. The alternative scenarios required by this condition also may be used to satisfy the requirement below to present at least three alternative scenarios.
- B. The SCE&G's IRP shall present a preferred portfolio and at least three alternative portfolios that include significantly more renewable energy, energy efficiency, and demand response. At least one of such alternative scenarios also shall examine the accelerated closure of one or more of the least efficient coal units.

C. The IRP shall be modeled with sensitivities for fossil fuel prices and an imputed value of at least \$25/ton for carbon emissions.

D. For the IRPs to be filed in 2020, 2021, and 2022, Dominion Energy shall fund in an amount not to exceed \$250,000 an outside consultant, selected jointly by SCE&G and ORS, to audit SCE&G's load forecast and reserve margin methodologies, review SCE&G's methodology for portfolio modeling, including but not limited to inputs, discretionary weightings, etc., and submit an independent report to the Commission.

2. Upon closing of the merger between SCANA Corporation and Dominion Energy, SCE&G and Dominion Energy shall comply with the following conditions related to SCE&G's generation resource development and procurement process, which shall remain in effect without modification through 2023, after which SCE&G may petition the Commission to eliminate or modify one or more of them:

A. SCE&G shall not procure or apply to certify a new generating resource with a nameplate capacity of more than 75 megawatts without first conducting a competitive, all-source solicitation ("RFP"). This condition shall not apply in the event one or more customers request a specific utility-owned solution at the expense of such customer(s). For purposes of this condition, the term "all source" shall include distributed resources, aggregated resources, and renewable resources, at a minimum.

B. In any competitive, all-source solicitation, SCE&G will fund pursuant to S.C. Code Ann. § 58-4-100 (2015), an Independent Evaluator ("IE") chosen by SCE&G and ORS (with disagreement resolved by the Commission). The IE will

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have access to all non-privileged, final documents and data reviewed, used, or produced by the utility in the preparation of its RFP and screening criteria and in its bid solicitation, evaluation, and selection processes and to the bid evaluation results and modeling runs to verify those results and evaluate options not considered. The IE will report to the Commission regarding the transparency, completeness, and integrity of the bidding process and the evaluation of bids. The IE and SCE&G shall execute a confidentiality agreement requiring the IE to maintain the confidentiality of any market/commercially sensitive information accessed pursuant to this condition.

- C. ORS and the IE shall have a reasonable period to review and comment on proposed RFPs and bid instructions prior to their finalization and issuance; however, SCE&G shall retain the discretion to determine the final RFP and bid instructions.
- D. ORS and the IE shall have a reasonable period to review and comment on proposed bid evaluation criteria prior to finalization; however, SCE&G shall retain the discretion to determine the final bid evaluation criteria.
- E. Prior to the deadline for the receipt of any RFP bids, SCE&G shall provide the ORS and IE with the confidential final bid evaluation criteria and the pricing information for any utility-constructed, -owned and -operated projects to be evaluated in comparison to the RFP bids received.
- F. Subject to appropriate confidentiality restrictions, parties to any certificate of public convenience and necessity ("CPCN") proceeding to certify a generating resource identified through the RFP process will have full access through the

discovery process to SCE&G's non-privileged, final analysis documents developed in preparing the CPCN application(s) and be able to use the documents in the docket.

G. If SCE&G affiliates participate in the solicitation, SCE&G shall treat such affiliates in the same manner as non-affiliates participating in the RFP process and shall not disclose to such affiliates any confidential market/commercially sensitive information in connection with the RFP. To the extent any such market/commercially sensitive information is disclosed to an SCE&G affiliate participating in the RFP, the market/commercially sensitive information shall be disclosed to any non-affiliates participating in the RFP.

3. Upon closing of the merger between SCANA Corporation and Dominion Energy, SCE&G and Dominion Energy shall comply with the following conditions related to SCE&G's procurement of qualifying facility ("QF") resources consistent with the Public Utility Regulatory Policies Act of 1978 ("PURPA"):

A. SCE&G shall:

- i. Through December 31, 2023, make fixed priced contracts at avoided costs available to independent power producers for a duration of no less than 10 years;
- ii. During calendar year 2019, file for Commission approval proposed avoided cost rates for energy and capacity that provide accurate pricing for storage as a separate resource; or file for Commission approval proposed technology-neutral avoided cost rates for energy and capacity that provide accurate

pricing for dispatchable renewable generating facilities such as solar + storage (e.g., hourly pricing); and

- iii. Incorporate the following language regarding Variable Integration Charges in new QF power purchase agreements (“PPAs”):

“Seller shall be responsible for all Variable Integration Costs assessed against Seller, and, as approved by the Commission, all Variable Integration Costs assessed against Buyer. To the extent any Variable Integration Costs are incurred by Buyer, and Seller is deemed responsible for such costs by the Commission, Seller shall promptly reimburse Buyer for such Variable Integration Costs.”

- B. SCE&G commits to a stakeholder process, facilitated by ORS (if ORS consents), in order to:

- i. Develop a fair, reasonable, and nondiscriminatory protocol for the curtailment of all legally dispatchable generating resources in circumstances where curtailment of solar resources is necessary due to system conditions on SCE&G’s Transmission System or Distribution System, or otherwise required under the terms of those solar resources’ interconnection agreements with SCE&G;
- ii. Devise and propose modifications to SCE&G’s interconnection procedures to expeditiously facilitate the addition of energy storage to solar projects currently in the interconnection queue and/or currently in operation, with the principal but nonexclusive goal of addressing operating conditions that may necessitate curtailment; and

iii. Consider an additional PPA form to accommodate the addition of energy storage resources to solar generating facilities that currently have PPAs with SCE&G.

4. Upon closing of the merger between SCANA Corporation and Dominion Energy, SCE&G and Dominion Energy shall not propose changes to the SC interconnection standards (or SCE&G interconnection process) that give special treatment to successful bidders in any competitive solicitation.

5. Upon execution of this Settlement Agreement and prior to the December 7, 2018 due date for proposed orders and/or briefs, SCSBA will withdraw its pre-hearing brief, dated October 26, 2018, in Docket No. 2017-370-E.

6. SCSBA agrees to support Commission approval of the merger, including one of the Customer Benefits Plans proposed by the Joint Applicants (Plan A, Plan B or Plan B-L) and acceptable for closing the merger, and will refrain from participating actively in the Consolidated Dockets except in support of its settlement with Dominion Energy and SCE&G or where requested by the Commission or Hearing Officer, in which case its participation shall not be inconsistent with its settlement with Dominion Energy and SCE&G.

7. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues between the Joint Applicants and SCSBA in the above-captioned proceeding and the Consolidated Dockets and to take no action inconsistent with its terms or adoption by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

8. With the sole exception of supporting the settlement and merger in this consolidated docket, the parties do not waive, and specifically reserve, the right to defend against or challenge any action of a party relating to the issues addressed herein before the Commission, the Federal Energy Regulatory Commission, or any other agency or court; as well as its right to seek any regulatory or legislative changes to state or federal energy policy in relation to these issues.

9. The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair, or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation and may rejoin the issues currently before the Commission.

10. This Settlement Agreement shall be interpreted according to South Carolina law.


11. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement

and the terms contained herein, then this Settlement shall be null and void and will not be binding on any Party.

[SIGNATURES ON THE FOLLOWING PAGES]

WE AGREE:

Representing the Dominion Energy, Inc.



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WE AGREE:

Representing South Carolina Electric & Gas Company



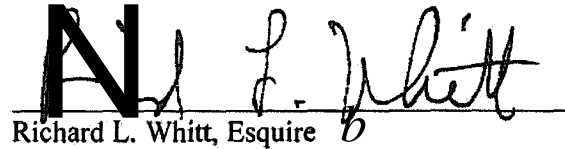
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WE AGREE:

Representing South Carolina Solar Business Alliance

A handwritten signature in black ink, appearing to read "Richard L. Whitt", is written over a horizontal line.

Richard L. Whitt, Esquire

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